

Senate Study Bill 1066

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON BEHN)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to tax credits and associated refunds for
2 cooperatives engaged in the production of value-added
3 agricultural products, and providing for its applicability.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLBS 1614SC 80
6 da/pj/5

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1 1 Section 1. Section 15.333, subsection 1, unnumbered
1 2 paragraph 1, Code 2003, is amended to read as follows:
1 3 An eligible business may claim a corporate tax credit up to
1 4 a maximum of ten percent of the new investment which is
1 5 directly related to new jobs created by the location or
1 6 expansion of an eligible business under the program. Any
1 7 credit in excess of the tax liability for the tax year may be
1 8 credited to the tax liability for the following seven years or
1 9 until depleted, whichever occurs earlier. Subject to prior
1 10 approval by the department of economic development in
1 11 consultation with the department of revenue and finance, an
1 12 eligible business whose project primarily involves the
1 13 production of value-added agricultural products may elect to
1 14 receive a refund of all or a portion of an unused tax credit.
1 15 For purposes of this section, an eligible business includes a
1 16 cooperative described in section 521 of the Internal Revenue
1 17 Code which is not required to file an Iowa corporate income
1 18 tax return, and whose project primarily involves the
~~1 19 production of ethanol.~~ The refund may be used against a tax
1 20 liability imposed under chapter 422, division II, III, or V.
1 21 If the business is a partnership, S corporation, limited
1 22 liability company, cooperative organized under chapter 501 and
1 23 filing as a partnership for federal tax purposes, or estate or
1 24 trust electing to have the income taxed directly to the
1 25 individual, an individual may claim the tax credit allowed.
1 26 The amount claimed by the individual shall be based upon the
1 27 pro rata share of the individual's earnings of the
1 28 partnership, S corporation, limited liability company,
1 29 cooperative organized under chapter 501 and filing as a
1 30 partnership for federal tax purposes, or estate or trust.
1 31 Sec. 2. Section 15.333, subsection 2, Code 2003, is
1 32 amended to read as follows:
1 33 2. An eligible business whose project primarily involves
1 34 the production of value-added agricultural products, that
1 35 elects to receive a refund of all or a portion of an unused
2 1 tax credit, shall apply to the department of economic
2 2 development for tax credit certificates. An eligible business
2 3 whose project primarily involves the production of value-added
2 4 agricultural products shall not claim a tax credit under this
2 5 section unless a tax credit certificate issued by the
2 6 department of economic development is attached to the
2 7 taxpayer's tax return for the tax year for which the tax
2 8 credit is claimed. For purposes of this section, an eligible
2 9 business includes a cooperative described in section 521 of
2 10 the Internal Revenue Code which is not required to file an
2 11 Iowa corporate income tax return, and whose project primarily
~~2 12 involves the production of ethanol.~~ For purposes of this
2 13 section, an eligible business also includes a cooperative
2 14 described in section 521 of the Internal Revenue Code which is
2 15 required to file an Iowa corporate income tax return and whose
~~2 16 project primarily involves the production of ethanol.~~ Such
2 17 cooperative may elect to transfer all or a portion of its tax
2 18 credit to its members. The amount of tax credit transferred
2 19 and claimed by a member shall be based upon the pro rata share
2 20 of the member's earnings of the cooperative.
2 21 A tax credit certificate shall not be valid until the tax

2 22 year following the date of the project completion. A tax
2 23 credit certificate shall contain the taxpayer's name, address,
2 24 tax identification number, the date of project completion, the
2 25 amount of the tax credit, and other information required by
2 26 the department of revenue and finance. The department of
2 27 economic development shall not issue tax credit certificates
2 28 which total more than four million dollars during a fiscal
2 29 year. If the department receives applications for tax credit
2 30 certificates in excess of four million dollars, the applicants
2 31 shall receive certificates for a prorated amount. The tax
2 32 credit certificates shall not be transferred except as
2 33 provided in this subsection for a cooperative described in
2 34 section 521 of the Internal Revenue Code which is required to
2 35 file an Iowa corporate income tax return ~~and whose project~~
~~3 1 primarily involves the production of ethanol.~~ For a
3 2 cooperative described in section 521 of the Internal Revenue
3 3 Code, the department of economic development shall require
3 4 that the cooperative submit a list of its members and the
3 5 share of each member's interest in the cooperative. The
3 6 department shall issue a tax credit certificate to each member
3 7 contained on the submitted list.
3 8 Sec. 3. APPLICABILITY DATE. This Act applies to tax years
3 9 beginning on or after July 1, 2003.

3 10 EXPLANATION

3 11 This bill eliminates a requirement that a cooperative must
3 12 be engaged in ethanol production to be eligible to claim a
3 13 special tax credit or refund available to an eligible business
3 14 involved in the production of value-added agricultural
3 15 products.

3 16 The bill amends provisions in Code section 15.333, which
3 17 provides that an eligible business may claim a tax credit of
3 18 up to 10 percent of a new investment that involves the
3 19 creation of new jobs. The Code section provides that an
3 20 eligible business involved in the production of value-added
3 21 agricultural products may elect to receive a refund of all or
3 22 a portion of the unused tax credit. The business must receive
3 23 a certificate issued by the department of economic development
3 24 in order to receive the tax credit or refund. The provision
3 25 allowing a cooperative to claim a tax credit or refund was
3 26 enacted during the 2001 Session in House File 716 (2001 Acts,
3 27 chapter 123).
3 28 LSB 1614SC 80
3 29 da/pj/5